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Kelley, William Darrah

Convertible currency
bonds will give elasticity...

Washington

1874

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Kelley

Comestible Currency Bond,

1874

Convertible Currency Bonds will give Elasticity to our Currency, and
are Essential to a System of Inconvertible Paper.

SPEECH

OF

HON. WILLIAM D. KELLEY,

OF PENNSYLVANIA,

IN

THE HOUSE OF REPRESENTATIVES,

JANUARY 10, 1874.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1874.

SPEECH
OF
HON. WILLIAM D. KELLEY.

Mr. KELLEY. Mr. Speaker, it will be well, before proceeding to the details of the discussion of to-day, to take a summary view of the condition of the country. The story of our victories over the forces of nature, the development of our resources, our accumulations of wealth and its division among the people, attested by increased deposits in savings banks, and the greatly increased number of free holders among the laboring classes during the last eight years, is unparalleled in history, and if fitly told would read like a story of oriental imagination. Yet, sir, we are in the midst of bankruptcy. Great local and national enterprises have been arrested or abandoned, the fires of the forge and the furnace have gone out, and the loom and spindle are silent. Hundreds of thousands of frugal and industrious people are unemployed and eating the bitter bread of charity; and the Government, alarmed at the sudden decrease of its revenues, abandons its hope of persistent reduction of the public debt, and demands the restoration of war taxes.

What cause was sufficient to instantly arrest the grandeur of our movements and effect a change which was as all-pervading as it was sudden? Had the Almighty manifested His displeasure by sending pestilence and famine to sweep the land; had earthquakes swallowed up our great manufacturing and commercial centers; or had war devastated our fields and filled the land with widows, orphans, and destitution? No. Our crops of grain, tobacco, and cotton were far above the average, and in unusual demand; our miners had been industriously at work; and the mines, whether of the precious or the useful metals, had yielded ample returns for the labor expended on them; our manufacturing productions in no nine successive months had ever equaled those of the first three-quarters of last year; our exports were increasing in an unprecedented ratio; and the steadily increasing volume of immigration attested the unequalled prosperity of the United States; and we can ascribe the want and suffering that pervade the land to none of the causes I have indicated. To find their source we must study the history of our financial legislation since the close of the war in 1865. And here we will find an ample cause for the commercial revulsion that is costing us so many thousands of millions of dollars and blighting the hopes of a generation.

Like causes produce like effects, and history repeats herself with marvelous accuracy of detail whenever legislation gives like conditions to eras.

Sir, he who had read Sir Archibald Alison's England in 1815 and 1845, or, a Sufficient and a Contracted Currency, and had noted the absolute parallel between her history for the first years of the Napoleonic wars and those immediately preceding them, and the same

years of our war for the suppression of the rebellion and preceding it; the forced suspension of specie payments in both countries; the unequal resources of the Government, and the unprecedented prosperity of the people in each country in spite of the calamities and expenses of war during the period in which gold was demonetized and inconvertible paper money, based on the public credit and issued in unprecedented volume, was legal tender and the current money of the country; the contraction of the currency of England in obedience to legislation dictated by the creditor class and dealers in bullion and credit; the almost universal bankruptcy of merchants and manufacturers, and the long and fearful sufferings of the people; the exhaustion of the exchequer; the abandonment of the sinking fund, and the restoration of war taxes in times of peace, all of which followed with a lightning speed the forced resumption of specie payments, could doubt that the same consequences must inevitably follow the arbitrary contraction of our currency? It needed but the commercial crash of September to make the parallel complete, in all its details, and demonstrate the fact that our sufferings are the fruits of unwise and unpatriotic legislation, and have been brought upon us by yielding to the demands of the creditor class and theorists who seem to believe that wisdom died and experience lost the power to teach when the bullion report of 1811 was made to the British Parliament. Ignoring the lessons of intervening history—refusing to examine the causes which led to the crises of 1837 and 1840 and 1857, when our currency was on what is called a gold basis, and have thrice compelled the government of England to permit the bank to violate the law restricting its issues—they have raised the cry of "On to specie payments!" and overwhelmed the country in disasters too great to be characterized by speaking of them as a financial Bull Run. I could not tell in what month or in what particular year the catastrophe would come, but the action of Congress and the Treasury Department in 1866 convinced me that it was inevitable; and, all unheeded by a majority of either House, or by the then administration, on January 3, 1867, I raised my warning voice in this Hall and said:

The greenbacks are, it is true, part of our debt, and must therefore at some day be redeemed; but they are the only part of our immense debt which bears no interest; and while there are outstanding, as the Secretary's statement of December 1, 1866 shows, \$147,387,140 of compound-interest notes which are currency and used as such by the national banks, and \$699,933,750 of three-years' notes bearing 7 1/2 per cent. interest, all of which were purchased in a grossly depreciated currency, I cannot comprehend the philosophy which proposes to let the interest on these run, while absorbing a non-interest-bearing loan which the people cherish as furnishing the best currency for our immense domestic commerce they have ever had.

Having said thus much I added a prediction, and described the condition of the country as it came to be in last October, and is now, as graphically as I could describe it to you to-day with the events of the past months fresh in my mind, and the groans of the suffering people filling my ears. Let me read it:

The experiment, if attempted as a means of hastening specie payments, will prove a failure, but not a harmless one. It will be fatal to the prospects of a majority of the business men of this generation, and strip the frugal laboring people of the country of the small but hard-earned sums they have deposited in savings banks or invested in Government securities. It will make money scarce and employment uncertain. Its object is to reduce the amount of that which in every part of our country and for the hundreds of thousands of millions of dollars of domestic trade is money, and to increase its purchasing power; and by thus unsettling values to paralyze trade, suspend production, and deprive industry of employment. It will make the money of the rich man more valuable and deprive the poor man of his entire capital, the value of his labor, by depriving him of employment. Its first effect will be to increase the rate of interest and diminish the rate of wages, and its final effect wide-spread bankruptcy and a more protracted suspension of specie payments.

I ask gentlemen whether experience and observation will enable any of them to perfect the picture presented seven years ago of what must be the inevitable consequences of contracting the currency of a people who dwell in the midst of boundless resources, and whose energies are impelled by the inspiration of freedom to engage in grand enterprises for individual and public good.

I then proceeded to say:

Anxious as the people are to relieve the country of the evils entailed upon it by the war, and willing as they have proven themselves to endure any privations or sacrifices required by the exigencies of the country, they will not consent to an experiment involving such terrible consequences for the purpose of paying the Indiana and other banks, which hold and use as part of their reserve our compound-interest notes, two dollars for every one they invested in this interest-bearing portion of our "lawful money." Much as banks, bankers, and speculators in Government securities may approve this policy, the people earnestly and indignantly protest against it.

Neither my voice nor that of the people was heard. The bullion and credit mongers, the holders of a monopoly in currency known as national banks, held the ear of the Government, and succeeded in blasting the prospects of millions of laboring people and of thousands of men of energy, enterprise, and judgment, who have been involved, often without an indiscretion of their own, in a common ruin. Hoping to be more fortunate now than I was then in pressing my convictions upon Congress, I have proposed a bill which, if adopted, will at least stay the hand of ruin, and save from the grasp of the credit and bullion mongers some few of the homes of the working people of the country.

It proposes first to render the country a service, not only important, but which is essential to the stability of trade, namely, to fix the volume of greenbacks. It proposes to fix it at what the law, under which our system of inconvertible paper originated, fixed it at—\$400,000,000—not leaving \$44,000,000 to the discretion of the Secretary of the Treasury with which to inflate the currency at one time and to contract it another. By the sudden contraction of \$10,000,000 of the currency a financial crisis may be produced; and a system which leaves in the hands of the Secretary of the Treasury the control of \$44,000,000 of currency is fraught with unspeakable danger. My bill proposes to make the volume of the currency \$400,000,000, by adding to the \$356,000,000 the \$44,000,000 retired by Mr. McCulloch, of which \$25,000,000 are now in circulation, and the remaining \$19,000,000 of which will be required to meet the current expenses of the Government. We must legitimate the issue of this reserve, or the Secretary of the Treasury may again retire the whole \$44,000,000 as soon as the business of the country shall have revived sufficiently to enable him to withdraw it from circulation.

Sir, the measure I have proposed is intended to give steadiness and elasticity to the volume of currency, without inflation or contraction; and, if adopted, will increase the stability of trade and production by preventing the concentration of unemployed currency during the dull seasons of the year, in Wall street, where it is used in promoting speculations in gold, bonds, stocks, and greenbacks themselves. It will enable citizens of the South and West to hold their own balances, and thus create local money centers, by which each populous neighborhood may have its place of deposit and discount, so that at the season of the year when it is necessary to move the crops they can obtain accommodation, without drawing currency from other markets.

Mr. G. F. HOAR. I desire to ask the gentleman a question.

Mr. KELLEY. I am here to defend my bill, and will gladly yield for proper questions. I shall, however, consider any question imper-

ment that is not put to the point on which I am speaking at the time it is put.

Mr. G. F. HOAR. My questions relate to the general measure, and the first is whether the promise contained on a greenback, say that the United States will pay to the bearer five dollars, is one which pledges the faith of the United States to pay that amount?

Mr. KELLEY. I am not prepared at this stage of my statement of the objects of my bill to enter into an abstract discussion with the gentleman as to what is a dollar, or as to what method may best be employed to redeem Treasury notes.

Mr. G. F. HOAR. My point is this: the gentleman proposes a bill—

Mr. KELLEY. If the gentleman will allow me to proceed he will find that I contemplate giving an answer to his question when it properly arises in the course of my remarks. I cannot, at this time, discuss the question of a return to specie payment. I have in my mind an order and method of presenting the features and objects of the bill; and if the gentleman will permit me, I will reach his question in pursuing that order.

Mr. G. F. HOAR. I desired to ask the gentleman at the outset of his remarks (as he is the ablest exponent of the theory he is presenting) the question whether the faith of the Government is pledged to any thing in this matter?]

Mr. KELLEY. I will accommodate the order of my remarks to the gentleman's question, although I would have preferred that he had allowed me to reach it at another point. Sir, the resolution of 1869, to which the gentleman refers, was passed in order that it might be said that the first act signed by General Grant was a declaration in support of the public credit. It originated in the room of the Committee on Ways and Means, and was a bit of unbecoming by which opposition members were to be compelled to vote to sustain the public credit.

A MEMBER. And you voted for it.

Mr. KELLEY. I think every gentleman who was then here voted for it; that our action was unanimous.

You cannot float a great ship in a small pond, nor can you float thousands of millions of debt with a currency inadequate to the daily business of the community. Loans are taken by the current profits of the people. No loans of ours have been taken by the \$50,000,000 or \$100,000,000 at a time since the banks in combination just after the opening of the war took one or two. They are taken by this process.]

I grieve that I could not have been permitted to pursue my own course of argument; for I find that by allowing myself to be diverted from it I shall run into digressions, and may not be able to get back to my point. I will, therefore, resume and endeavor to explain my bill. But in doing so, permit me to say that I will yield for any question pertinent to the line of argument I am engaged in; but will not be diverted by a question that has no relation to the argument I am making at the time the question is presented.

To proceed, then. The bill next proposes that the Government shall issue bonds, payable, principal and interest, in currency, and bearing a rate of interest of 3.65 per year, or one cent a day, for each one hundred dollars. That will make interest so easy of calculation that the masses of the people can understand it, and calculate it readily. The issue of such bonds will restore to our inconvertible

*The passage in brackets is composed of detached and incoherent parts of what was said in the time in which notes were taken by one of the corps of reporters, who, by his want of fidelity, has done grave injustice to the speaker and his interlocutor.

W. D. K.

paper system an element essential to its success, and which never was omitted until distinguished American citizens discovered that if the whole debt could be converted into gold-bearing bonds, banking and dealing in American bonds in London would be a speedy way to the accumulation of enormous wealth.

Our credit system began with dependence upon the American people. And in order to enable them to take and hold successive loans there was a steadily increasing volume of temporary loans, payable principal and interest in greenbacks. And we never had any difficulty with our currency until we adopted that system which bound us in chains of gold to the credit mongers of Great Britain and the continent. Until then there was never any difficulty in our system, or any embarrassment or disturbing demand for contraction. These loans gave profitable employment to the surplus capital of the people, and thus limited private speculation.

There is generally an average of about \$250,000,000 in this country applicable to temporary loans, which, when not used by the Government, is put on deposit on call, with banks or brokers, at a low rate of interest. There were on the 18th day of September, in the national banks of New York, something like \$100,000,000 of deposits on call at a low rate of interest. I have the report of the nine presidents of the associated banks upon the revision of the clearing-house system, and will read a brief extract from it, which, though it is not absolute in the extent of its information, is very significant upon this point. These bank presidents say:

Deposits which are derived from strictly commercial operations cannot fluctuate so widely from time to time as to produce disturbance in the community, and banks which confine their business to them, as they naturally arise, are always reliable and regular in their treatment of their dealers, and can be conducted with ease and comfort to their managers and safety to the public. On the contrary, deposits which are purchased by payment of interest or otherwise, and which must, therefore, of necessity be largely loaned "on demand," are the cause of continual agitation and solicitude to those who hold them in charge. They are certain to be withdrawn at the season of the year and at the moment most inconvenient to the banks and to their dealers. This fact is best illustrated by the following figures:

| | |
|--|---------------|
| The average deposits of the 60 clearing-house banks for ten weeks from July 5 to September 6, were..... | \$232,222,000 |
| The lowest amount reached since the panic was..... | 143,170,000 |
| Showing a total reduction of..... | 89,052,000 |
| Of the above amount, during the ten weeks 12 interest-paying banks held..... | \$111,585,000 |
| The lowest total reached by them since the panic..... | 52,669,000 |
| Showing a loss in 12 banks of..... | 58,916,000 |
| And in the other 48 banks of..... | 30,142,000 |
| And were it not for the fact that several of the 48 banks are more or less involved in the same practice, this disparity would be still more apparent. | |

It must be remarked that this relates only to the national banks. When you come to take the amount on deposit on call in the State banks, and with bankers, such as Fisk & Hatch, Hovess & Macy, Henry Clews, Jay Cooke & Co., and the horde that failed, and when you come to extend your examination to Boston, Philadelphia, Baltimore, and Washington, you will see that there must have been at that time at the very least \$200,000,000 of western and southern money, or money from the interior of neighboring States, on deposit at bankers' risk, at low rates of interest, rates so low that those who held it might make profit by reloaning it.

It is to prevent the recurrence of the evils indicated in this report, and which have become but too familiar to us all, that I propose

that those who have funds to deposit temporarily may confide them to the Government at a rate of interest that shall be a fair average of the rates paid for such deposits, to wit, between 3 and 4 per cent. "But," inquires some gentleman, "do you propose to make the Government pay interest at the rate of 3.65 for the privilege of holding the moneys of these people?" No, sir; no, sir. I propose this as one step for your redemption and the redemption of the country from the grasp of the bullion and credit mongers of foreign nations, by making it the duty of the Secretary of the Treasury, as fast as possible, to invest the funds derived from the issue of these bonds in gold-bearing 6 per cent. bonds for cancellation.

And gentlemen may as well understand that the question they will have to answer to their constituents, if they refuse to give this proposition a chance for trial, will be, "How do you make 6 per cent. gold paid to foreigners more economical or patriotic than the acceptance of a loan from our own people at 3.65 in paper?" Refuse to allow the American people to loan you hundreds of millions of dollars at a low rate of interest payable in your own paper, and then go to your constituents with an arithmetic prepared to prove that 6 per cent. in gold to foreigners is more economical than 3.65 in paper to Americans, for that is the arithmetical proposition gentlemen will have to meet in the next congressional canvass, unless they shall have put the question out of the way by giving to the greenback a new and profitable service.

And this brings me to the point of the gentleman from Massachusetts, [Mr. G. F. HOAR,] and I shall be glad to answer his question. I regard the issue of these bonds as a mode of redemption for the greenback by furnishing to the citizen, upon whom, in the language of the bullionists, you have imposed them as a forced loan, a chance to make that loan interest-bearing and active as part of the public funds. I am no less anxious than the gentleman to bring gold and greenbacks to the same value; and when that is done gold will flow in upon us. But how can we do this? Shall we do it by increasing the demand for gold and consequently enhancing its price, and restricting the uses of the greenback, and consequently diminishing its value? They who resist the bill under discussion and its principles pledge themselves to this method of making the greenback convertible.

It must be evident to all that if something is not done quickly to reanimate the productive forces of the country we must increase our loans, and there are already pending propositions before this House and the Senate to increase the gold-bearing loans. We owe now annually, in round figures, \$100,000,000 of gold interest; and it is proposed to increase the sum and yet to refuse redemption to the greenback, even in a 3.65 bond; to stamp it as unworthy of the confidence of the Government, and to increase your burden in gold as a means of bringing the greenback you thus repudiate and gold to the same value! When will the result be produced by this method? I do not doubt that gentlemen who propose it are sincere and disinterested, but I fear that others may question their good faith.

Here, then, is one means of redeeming the greenback. Let us now see how we may hope to comply most speedily with the demands of the resolution of 1869. If the people will lend the Government \$500,000,000 in greenbacks, with which the Secretary of the Treasury can buy \$450,000,000 or more of bonds, we shall owe annually \$27,000,000 less of gold, by which the price of gold will be reduced; and the greenback being sure of 3.65 interest when unemployed in strictly commercial uses, will increase in value.

Though the proposition is not involved in my bill, let me say, in passing, that while gentlemen are talking of even mean economies, while they are inquiring into the very anatomy of expenses, and I was going to say doing it with microscopic power, they leave a worse than useless annual expenditure of \$20,000,000 of gold unassailed. My bill, as I have said, does not touch this, which is a question for the Committee on Banking and Currency. We pay certain corporations known as banks \$20,000,000 of gold annually—for what service? For keeping in circulation by loaning them, and that often at inordinate rates of interest, certain notes, the paper of which was paid for by the Government, the plates for printing which were engraved by the Government, the printing of which was done by and at the expense of the Government; and I cannot see why it would not be wise to simplify our currency by substituting greenbacks, dollar for dollar, for national bank notes; not to increase the currency, not to issue a dollar more than is afloat now, but to issue a one-dollar greenback in the place of a one-dollar bank-note, a five-dollar greenback for a five-dollar bank-note, a ten-dollar greenback for a ten-dollar bank-note; and so all the way through the range of denominations now in use. As the substitution proceeds the bonds of the national banks should be surrendered to those who own them, and banking will then be free; because the banks, having no circulation, would have no tax on circulation, and be relieved from governmental supervision. That is the only tax they pay to which every private banker or State bank is not subject.

A MEMBER. They pay a tax on deposits.
Mr. KELLEY. No; the only special tax paid by the national banks is on circulation. There are a good many bankers here, and if I am in error on this point I am sure they will correct me.

I say again there would be a saving of \$20,000,000 in gold annually, to be added to the \$27,000,000 or more saved by the substitution of three sixty-fives, which, with increased and profitable employment for the greenback, would be a long stride toward a convertible currency. When we shall owe but \$45,000,000 gold a year, and have this employment for our greenbacks, you will have the gold and greenback at par, and the resolution of 1869 will have been executed. This is my answer to the gentleman now when it comes legitimately within the scope of my argument.

Mr. G. F. HOAR. My former question was merely preliminary. The question I wish the gentleman to answer is, whether he considers the faith of the Government pledged to the redemption of these greenbacks in coin? The gentleman says he thinks the thing will be done; but that does not answer the question.

Mr. KELLEY. I say I think the faith of the Government is pledged to the redemption of the greenback; but I have no time to go into a scientific discussion of the question of what is redemption. Some day I shall be glad to have the gentleman make an hour's speech and let me puzzle him with a few questions, such as whether a thing is not redeemed when it buys its full value.

Mr. G. F. HOAR. The gentleman said he welcomed questions when they related to the point under consideration. He turned to me just now and said that he had reached my point. Therefore I have asked him, not what his bill will accomplish, but whether he regards the faith of the Government as pledged to the redemption of these greenbacks in coin, as soon as possible, according to the declaration of the act of 1869.

Mr. KELLEY. Yes, sir.

Mr. G. F. HOAR. If there is such a pledge, of course we must go

to work with the view of keeping that pledge. I do not say whether the gentleman's plan is the best or not. But I want to know whether he considers that there is such a pledge.

Mr. KELLEY. Mr. Speaker, I thought the form of the gentleman's first question was a little offensive.

Mr. G. F. HOAR. Certainly not.

Mr. KELLEY. I thought it was offensive when he asked me whether I thought the deliberate act of Congress pledged the Government. It was probing my moral sense, which I trust is as quick as that of the gentleman from Massachusetts.

Mr. G. F. HOAR. His answer was, although he voted for that resolution he thought it was "buncombe" and repealable. Certainly it was not offensive to the gentleman to ask whether he considered that it was a binding pledge or not.

Mr. KELLEY. I mentioned those facts in the history of the resolution, and I do not think there is a gentleman upon the floor who doubts that I told the absolute truth.

Mr. G. F. HOAR. Then, is the faith of the Government pledged to redeem these greenback notes?

Mr. KELLEY. Yes; and if the gentleman will allow me to discuss at any other point, I will, before I get through, show him how it may be done, if I have failed to do so already.

Then, sir, two of the objects of the bill are to give steadiness to the volume of currency and to the business of the country, and to prevent fluctuation in prices consequent upon the transfer of immense sums of money from one market to another at recurring seasons of the year.

It further proposes to allow the banks to hold the convertible bonds as their reserve. Private bankers will have the right to do it; our banking laws do not reach them. State banks will have the right to use them; our laws do not reach them. The only banks we legislate for, except to tax them and to prohibit them from issuing currency, are the national banks; and the bill proposes to authorize them to hold the proposed bonds as a reserve. This is done for two purposes: to enable them to hold a reserve without absolute loss on the capital thus held, and to create a market for the bonds, and thus obtain funds with which to buy up gold-bearing bonds, or gold with which to call them home from foreign lands.

It contains one other provision, and that is suggested by the law which limited the volume of greenbacks to \$400,000,000 and provided for the acceptance of temporary loans on call after thirty days. The first experiment was to make them payable after thirty days from date of deposit, on ten days' notice. The practice finally came to be payment on call, because the certificates were rarely presented voluntarily for redemption, and the loans came to be overdue. The whole amount was therefore regarded as payable on demand, or a call loan. The provision to which I refer is that which provides for the creation and maintenance of a redemption fund of \$50,000,000 of greenbacks which are never to be emitted for the ordinary purposes of the Treasury or for general use, but are to be held for the redemption of three sixty-five bonds, if presented in unusual amounts. The use of this fund would be to prevent the possibility of speculators cornering the Treasury by drawing on it when they would know its resources to be limited. If such a fund were not provided, the worthy men who manipulate affairs in Wall street might, when they knew the Government had been investing closely in 6 per cents, rush in a few millions of three sixty-five bonds; but so long as there shall lie \$50,000,000 in the Treasury to meet them, a combination powerful enough to promise success cannot be made.

These, sir, are all the features of the bill; and I proceed in further reply to the question of the gentleman from Massachusetts, [Mr. G. F. HOAR,] for it involves as a question of good faith in making the effort to get back to the days when specie shall flow into and out of the Treasury of the United States through the ordinary channels of business.

Mr. STANARD. Will the gentleman from Pennsylvania yield for a question?

Mr. KELLEY. Yes, sir.

Mr. STANARD. The bill of the gentleman from Pennsylvania, as he has explained it, does not expressly contemplate that these three sixty-five bonds may be held by the banks as a reserve in the place of the 25 per cent. required under the law. The gentleman's explanation does not seem perfectly clear to me, although I am in the main in favor of his bill, how an advantage will accrue to the circulation of the country by allowing the banks to hold these bonds as a reserve. It is, I believe, a current idea that, for every dollar of these three sixty-five bonds the banks hold as a reserve, a dollar of the same currency reserve may go into circulation. This question is raised in my mind, which I should like to have the gentleman explain, as to whether or not for every dollar of the three sixty-five bonds the banks may be able to purchase and carry as a reserve a currency dollar does not have to go into the Treasury and there be held for the purpose of taking up these three sixty-five bonds when they may be called for in case of a stringency in the money market?

Mr. KELLEY. I think I comprehend the gentleman's question; and I believe if he had followed me closely he would have noticed that I had answered it.

Mr. STANARD. I thought you had answered it when you stated that your bill provided that fifty millions additional should be issued. But it did not seem to me that that answer was clear, because these fifty millions must be held as a reserve for special emergencies.

Mr. KELLEY. Let me recapitulate. I have said that the bill provides that the issue of the forty-four millions shall be legalized. It provides, again, that the banks may hold these three sixty-fives as a reserve. That would throw into circulation, as the Secretary of the Treasury advises me, about sixty millions of greenbacks, which now lie dead, being held in reserve to secure the redemption (themselves being inconvertible into gold) of the bank-notes, which are also inconvertible. The necessity for a reserve, if it exists, would be obviated by the issue of greenbacks instead of national bank notes. Then it would be simply the banker's reserve; the reserve retained by prudent bankers for the safety and convenience of current business. The sixty millions now held by them would thus be released and go into circulation. The three sixty-fives, being convertible instantaneously at any sub-treasury, would be the equivalent of greenbacks, as are the certificates for the forty million of greenbacks now on deposit in the Treasury bearing no interest.

Gentlemen have asked me who will invest in a three sixty-five bond, when money is worth 7 and 10 per cent. There are those who have forty millions of greenbacks deposited in the Treasury to-day, without interest, and carry certificates of deposit for them. Sir, those certificates of deposit are recognized throughout our country as the equivalent of greenbacks, and it is to the interest of the owners of them to have the Government keep their currency safely for them and give them these certificates. Now I apprehend that if the Government could pay the holders of those certificates 3.65 per cent. interest, and buy in

forty millions of gold bonds with them, the holders of the forty millions would be benefited; the tax-payers of the country would be benefited by being released from the gold interest on forty millions of bonds; and gold and greenbacks would be brought so much nearer together, by the increased use, utility, and profit of the greenback and the diminished demand for gold. Have I answered the gentleman's question?

[Here the hammer fell.]

Mr. BURCHARD. I move that the gentleman's time be extended.

The SPEAKER *pro tempore*. It is moved that the time of the gentleman from Pennsylvania be extended. [After a pause.] The Chair hears no objection. How much additional time does the gentleman ask for?

Mr. KELLEY. The House has extended the time, I believe, unlimitedly; and I shall put in an application for sixty minutes, although I shall try to get through a little sooner if not interrupted too frequently.

Mr. Speaker, let me say here that I am not in favor of expanding the credit system, and that I charge the falsely-called contractionists—those who demand specie payments through contraction—as being the real inflationists. They it is who have inflated the dangerous system of credit which brought us into bankruptcy in 1837, in 1840, in 1857, and again in last September.

Mr. SMITH, of Ohio. With the gentleman's permission, there is a point I want to understand distinctly, and on which I desire to ask him a question, in order to get at his idea.

I understand that the gentleman assumes that at certain seasons of the year there is a plethora of money. Certain persons have a large amount of money on hand which they do not want to use, and they would be willing to exchange that money temporarily for these three sixty-five bonds. Now, the Government of the United States issue three sixty-five bonds and invest the sum, whatever it may be, in 6 per cent. gold-bearing bonds. When they have to pay this money back they sell the gold-bearing bonds and get currency.

Mr. KELLEY. Not at all.

Mr. SMITH, of Ohio. Now, Mr. Speaker—

The SPEAKER *pro tempore*. Does the gentleman from Pennsylvania yield the floor?

Mr. KELLEY. Only for a question. I sat down while the gentleman was putting his question, being a little fatigued, and having before me the possibility of another hour's work.

Mr. SMITH, of Ohio. Does the gentleman expect the Government to have money on hand to redeem these three sixty-five bonds; or with what funds does he expect the three sixty-five bonds to be redeemed?

Mr. KELLEY. If the gentleman had studied the process of making loans he would see that the first element of such a demand as he speaks of, unless as the result of combination, is not within the sphere of legitimate consideration. Loans are taken, as I said before—and I meant to amplify it a little—from the current profits of the people. They are taken oftentimes as a temporary investment, and become a permanent one. A million of dollars paid to the Treasury of the United States each working day in the year for three sixty-five bonds would take a loan of over \$300,000,000 in the year. We went through the war upon an average receipt of about two millions a day when it was at its very climax. So long as there is a certain amount paid into the Treasury daily for bonds, so long the loan expands; so long as the

Government is called upon to meet exigencies its wants are supplied; but at the end of the year the Government finds an increased demand for current funds to pay interest on the large loan accumulated during the year.

Sir, the House on my motion, has called for information from the Secretary of the Treasury, which will distinctly show the gentleman that there is no danger of these bonds ever coming in in any considerable amount, unless presented by a speculative or gambling combination of men who may see a chance of profit by embarrassing the Treasury. Who that has a Government obligation bearing 3.65 per cent. interest, and which he can convert any instant into greenbacks, would care to convert it? Why would he want to convert a three sixty-five and get the same sort of security—no better security—both being the obligations of the Government, which earns no interest?

The Chicago fire was a test of how the people cherish and hold on to a temporary loan of the Government bearing only 3 per cent. interest. There were \$60,000,000 of 3 per cent. temporary-loan certificates out then that were overdue. How much do you suppose the Chicago fire—blazing, burning, devastating as it did for three whole days, and thrilling with consternation merchants, bankers, and insurance companies—sent in for redemption? The whole amount it caused to be presented for redemption was \$1,500,000.

Mr. SMITH, of Ohio. I desire to ask the gentleman another question. This bill seems to be based upon the theory that there is \$100,000,000 of currency needed for the business of the country already in the business centers of the country, and the gentleman proposes to issue three sixty-five bonds now, and when the time comes when that money shall have been used, I want to know how the Government is to get the money to pay them?

Mr. KELLEY. Suppose a western man to have sold \$100,000 worth of grain to somebody in New York. Instead of sending that sum by express in currency, these bonds would be delivered in payment and the currency drawn from the nearest sub-treasury, or if the vendor did not want to use currency he could retain the bonds, and the Government never hear of the transaction.

While these bonds will never become a part of the currency of the country, it is true that they will furnish a medium of exchange by which large transactions may be settled. They are convertible into money in Chicago, Saint Louis, or any other city in which there is a sub-treasury; and thus eastern men will be enabled to meet the annual demand for the purchase of grain in the West by exchange, and the West will be enabled to meet the spring demand for manufactures by return of exchange, without disturbing local money markets. I hope I have made myself clear to the gentleman.

Mr. WARD, of Illinois. But suppose the Government should have several hundred millions of these, and they should all be suddenly presented for redemption; how would it pay them?

Mr. KELLEY. If my excellent friend, the chairman of the Committee on Ways and Means, had not by mistake carried off the copy of Fraser's Magazine for October last, I would answer the gentleman in the language of Professor Bonamy Price, of Oxford, when reviewing Mr. Bagehot's Lombard Street. But as I am without the magazine I can only say that he treated the question, what would be the consequence if all the notes of the Bank of England should be presented simultaneously, as out of the domain of reasonable discussion.

Mr. WARD, of Illinois. Excuse me a moment. I have no doubt the gentleman understands this question better than any other per-

son does. I do not, however, consider that he has given any answer to my question.

Mr. KELLEY. Then, my dear sir, allow me to ask you a question. Will you give me any reason why people holding a Government security, convertible at will into greenbacks, and bearing interest, should rush it upon the Government in order to get non-interest-bearing greenbacks?

Mr. WARD, of Illinois. Yes, sir; I can give you a reason.

Mr. KELLEY. The thing is so clear in my own mind that probably I do not see the pertinency and force of your question.

Mr. WARD, of Illinois. I wish I could make you see it.

Mr. KELLEY. I am anxious to see it.

Mr. WARD, of Illinois. I will answer in this way: in the community where I live greenbacks are a necessity. The gentleman has illustrated that in the case where these three sixty-five bonds would be used in making the exchanges between the buyer in New York and the seller in my city, Chicago. But that does not cover the whole case. The \$100,000,000 suggested by the gentleman here, or the sum, be it more or less, represented by these three sixty-five bonds, and which finds its way into the Treasury during a season when currency is in need, would, in my opinion, be again required when the necessities of business demanded an increase of currency. In my opinion a condition of things is likely to arise when that entire sum, \$100,000,000, more or less, will be again wanted in currency for circulation. Then how is the Government to take up the bonds?

Mr. BECK. I rise to a point of order. My point of order is that gentlemen, speaking to each other, should address the Chair, so that we all can hear them. I am very much interested in what both these gentlemen are saying, but they converse with each other in so low a tone that we cannot hear what they are talking about.

The SPEAKER *pro tempore*. The point of order is well taken.

Mr. KELLEY. I beg the gentleman's pardon. In answer to the gentleman from Illinois [Mr. WARD] I desire to say that I cannot conceive it possible that an obligation which might represent exchange in settling large transactions, not taken on the faith of a banker, nor of a local community, but on the faith of the Government, with a pledged fund for its redemption, should be hurried in for redemption in any considerable amount. Then I remember the other fact—and that has been the practice whenever we have had outstanding temporary loan certificates, which are in fact convertible bonds—that on each day the deposits exceeded the drafts until the total amount allowed by law to be issued was out, and then they ceased to come in. The answer of the Secretary of the Treasury has, unhappily, not come up from the printing office, and I cannot refer to it. But gentlemen will get it, I hope, by Monday or Tuesday; then they can analyze the figures for themselves. A passage from Gibbons's United States Debt, Finance, and Taxation, may illustrate the subject:

It is in the organization of the great body of the debt, consisting of \$2,500,000,000, after the normal currents of business began to revive, that we shall find the example to instruct us as to the true character and meaning of a public debt.

The expenses of the Government reached about two millions for every secular day during four years. The loans, of course, amounted to the same, excepting the revenue from import duties, which, for the sake of simplicity, we leave out of present view. It is entirely to the daily transactions that our attention is now to be directed.

That transaction consisted of two parts: first, of the payment into the national Treasury of \$2,000,000; second, of the payment out of the Treasury, for expenditures, of precisely the same amount. On some days there might be more paid in and less paid out; but in the long run the amount of disbursement was equal to the receipts, and it simplifies the case to reduce it to the daily average.

The result, then, is that one set of people paid the two million of currency into the Treasury, and it was immediately paid out on the same day to another set of people. And this is an advantage to both parties, for the presumption is that those who pay in have more currency than they want for any immediate purpose, and those to whom it is paid out have less than they want. It goes from the latter into the hands of laborers, tradesmen, and artisans. That is to say, that the organization of the loan of two million has not taken any money out of the use of the markets; it has not absorbed one penny of capital.

We have only to repeat this transaction six times a week, and may do it with the same two millions of currency, to organize twelve millions of the debt; and, continued through the year, it would organize six hundred and twenty-four millions.

Let us reduce the transaction to a still lower amount. If we divide the two millions into twenty parts, \$100,000 of currency will be sufficient to organize the whole by repetition of service. We have only to suppose that each one of twenty subscribers has a demand of \$100,000 against the Government, and is desirous to invest his money in the bonds as soon as he receives it. The arrangements for the sale of the bonds secure this exact result, for it is of no consequence who takes the bonds, nor whether the money employed consists of the same bank-bills in each round of service. The material facts are that the bonds are taken; that no more than \$100,000 of currency is in use at any one time to effect the negotiation; and that when the negotiation is complete the currency is liberated, and mingles in the general mass of the circulation.

This example shows with precision what office the currency performed in the organization of our public debt. It was that of the hammer which the carpenter uses to nail shingles on a roof. After the roof is finished, the hammer is still unimpaired for service in finishing other roofs. It is true the example supposes a more frequent repetition of service by the currency than was positively attained, or than would be practicable under ordinary circumstances. This does not, however, impair its force; and although the amount of currency displaced from commercial employments during the organization of our debt is known to have been as high as fifty millions, and perhaps to have exceeded that sum, such an absorption of it is to be attributed to a bad method of business, and not to any necessity of the case. The foregoing relation of itself explains the meaning of "borrowing money," "making a loan," and other like expressions applied to the financial transactions of the Government. It shows how little ground there is for the disturbance generally created in the money market by an announcement that the Secretary of the Treasury is coming upon "the street" to borrow "a large amount of money"—say \$100,000,000. This means, commercially and practically, that the yearly taxes are to be increased by \$6,000,000 if the rate of interest be 6 per cent., and \$5,000,000, if the rate be 5 per cent. It does not mean that the whole market of commerce and labor is to be distracted upon to furnish that large amount of money, to be held in sequestration until liberated by the slow course of the ordinary disbursements.

Mr. BECK. As the gentleman has been interrupted so much, before he begins his regular line of remarks I would like to ask him a question, as everybody else seems to be doing. My question is this: what interest has either the Government or the holder of a national bank note in having any reserves at all held by the bank, when the bank deposits with the Government 6 per cent. gold-bearing bonds, worth \$1,000, for every \$900 of currency issued, and the United States guarantees that currency to the holder, whether the bank is solvent or insolvent? What interest has the holder of our currency or the Government of the United States in the question of reserves at all? And if the Government and the currency holder have no interest in it, why should we be legislating about deposits? I have never been able to understand that.

Mr. KELLEY. That question is not involved in my bill; but as the law now requires a reserve, the bill simply provides that so far as it is required these bonds may be used instead of greenbacks. I agree entirely with the gentleman that the holding of a reserve for the redemption of the notes is an absurdity; they are secured by the deposit of bonds. It is suggested to me by two gentlemen here who believe in the reserve system that they are held for the security of depositors in order that they may be sure of getting something in the nature of currency on presentation of their checks. I have always supposed that they were held in part to secure the redemption of their notes. If

they are held as security for deposits, it is in my judgment an absurdity. The Government might as well make every umbrella-maker hold a reserve with which to redeem a bad umbrella that had been imposed upon a citizen. The deposit of money with a bank or a banker is a voluntary act on the part of the depositor, with which the Government has nothing to do. But the taking of a bank-note is not a voluntary act, and therefore the Government should not only protect the note-taker in the value of the note, but it should make the note itself. The making of money, whether that money be billon or paper, is an attribute of sovereignty that never should be delegated by the Government.

Mr. BECK. One other question only.

Mr. KELLEY. I am very ready to answer questions as far as I can, but I should like to get on a little with my line of argument.

Mr. BECK. One other question, only, and I will not trouble you further. It is this: if the bill of the gentleman goes into effect, as I suppose he hopes it will, I want to ask him why the national-bank system should be kept up at all?

Mr. KELLEY. If the gentleman had listened to me he would have found that I have said that, although the question is not involved in my bill, I cannot see why we should not issue greenbacks for national-bank notes, and relieve ourselves from the payment of \$20,000,000 in gold annually. I have already said that, but it was so long ago in the course of this speech that the gentleman has forgotten it. [Laughter.]

Mr. BECK. I had supposed that the gentleman in providing a system would make it complete.

Mr. KELLEY. As I have already remarked, that seems to me to be a question for the Committee on Banking and Currency, and I have not introduced it into my bill, which relates to the legitimate business of the Committee on Ways and Means.

Mr. BECK. The reason I ask the question is this: When we have, say \$400,000,000 of greenbacks and \$350,000,000 of national-bank notes, all making one currency, the volume of the currency being what causes the difference between paper and gold, and when we guarantee those national-bank notes, I am unable to see why we should furnish the banks currency at 1 per cent. when nobody else enjoys the same advantage.

Mr. KELLEY. I have said that those who raise the cry of resumption and contraction are, in my view, the inflationists of the day. In proportion as you contract the currency in a country of resources, peopled by an enterprising people, you force private credit into expansion. You contract the currency and build a pyramid standing on its apex. The circulating medium—the money with which retail trade is carried on and wages paid and the expenses of travel borne—is withdrawn, and credit rises, ever broadening, until, with your inverted pyramid, your whole financial system topples over with a crash.

I propose to illustrate the truth of this proposition. In 1866 the basis of this country held one-fourth of the national debt. They could not find private obligations in which to invest their funds. The cash system prevailed. I read again from Gibbons on the United States Debt, Finance, and Taxation, a book which every member in this House should, in my judgment, have by him as a text-book.

On page 150 this able writer says:

It is well known that the rebellion struck down commercial and personal credit generally, inaugurating in its place cash settlements, for which the increasing currency was more convenient and satisfactory than had been the promissory note and the open book account. It is computed from the records of the New York clearing-

house and from other sources of information that of the loans and discounts carried by the banks in October, 1866, (\$623,786,993), at least one-half consisted of Government securities, showing a decline in strictly commercial paper, as compared with 1861, of \$284,354,924. The total of open book credits in 1861 exceeded that of 1866 by a much greater sum, so that we are sure of being within the truth when we name \$400,000,000 as the volume of business, supported and carried on continuously in 1866 by the currency, which in 1861 was represented by promissory notes and current book credits.

Again on page 177, the same author says:

It is unjust and untrue to allege that the banks generally are expanded beyond prudence, while half their loans consist of Government securities. The inevitable consequence of the contraction of legal-tenders will be to put these securities on sale because they are the most easily convertible part of bank resources; and hence it is that their price, and the price of stocks generally, decline when contraction begins.

When a system of credit is no more extended than is needful to the wants of business, an effort to contract any part of it will either force a compensation from the other parts, or the whole will be distressed. The legal-tenders are as gold to the banks. No sooner are they touched than the whole system thrills as it was wont to do formerly when bill-holders began to run for specie. In short, the contraction of legal-tenders by the Government, while it seizes the gold of commerce and locks it up in the independent Treasury, is equivalent to a run for specie on the banks; and while the banks "hold one-fourth of the entire indebtedness of the United States," it is a run of the Government on its own creditors.

The theory on which currency is alleged to inflate prices requires a certain amount of currency for a certain amount of business. If that amount is exceeded, any contraction of currency would abridge or distress labor. We have seen this result on several occasions recently when the Treasury has attempted the experiment of contraction. No sooner was it begun than "a cry of pain" was heard through the markets, and it had soon to be abandoned.

This was in 1867.

It is reasonable to infer that if there had been an excess of currency in issue, a part would have stagnated in the banks and no distress could have been caused by the withdrawal of that part. But the proof was immediately developed that there was no stagnation.

Now, sir, I invite the attention of gentlemen to a table which is most significant on this point. It is a table of the loans and discounts, the capital and surplus, the individual deposits and the legal-tender reserves of the national banks on the 1st of October in each year, from October, 1865, to September 12, 1873. In 1865 the loans and discounts were \$487,000,000, and the legal-tender reserve was \$189,000,000. In 1873, the \$487,000,000 of loans and discounts had swollen to \$944,000,000, and the reserve had shrunk to \$113,000,000. Thus it is shown that as you contract the currency you enslave labor and enterprise, consolidate capital, and raise the rates of interest, building, as I said, an inverted pyramid, which, sooner or later, must topple, involving all in destruction. But let the figures tell their own story:

| Year. | Loans and discounts. | Capital and surplus. | Individual deposits. | Legal-tender reserve. |
|-----------|----------------------|----------------------|----------------------|-----------------------|
| 1865..... | \$487, 170, 136 | \$431, 970, 586 | \$549, 681, 254 | \$189, 988, 496 |
| 1866..... | 603, 347, 503 | 468, 638, 246 | 597, 960, 993 | 305, 770, 641 |
| 1867..... | 609, 675, 214 | 498, 789, 002 | 568, 213, 337 | 157, 430, 099 |
| 1868..... | 657, 666, 847 | 496, 620, 272 | 603, 064, 550 | 156, 047, 205 |
| 1869..... | 682, 883, 106 | 502, 554, 485 | 523, 029, 491 | 139, 564, 295 |
| 1870..... | 715, 928, 060 | 524, 460, 740 | 512, 765, 708 | 132, 669, 577 |
| 1871..... | 691, 532, 219 | 530, 368, 367 | 626, 774, 091 | 134, 469, 735 |
| 1872..... | 872, 520, 104 | 589, 886, 660 | 623, 708, 307 | 118, 971, 104 |
| 1873..... | 944, 220, 116 | 611, 327, 115 | 692, 685, 663 | 113, 132, 662 |

The statement for 1873 is that of September 12. The effect of the panic was to diminish in one month the loans by \$62,000,000, the deposits by \$83,000,000, and the legal-tender reserve by \$2,000,000.

Again, I have another equally striking illustration from another source. According to the Financial Report of 1872, page 200, the Government on the 30th of June, 1865, had outstanding in currency \$698,918,600; while on the 30th of June, 1872, the \$698,000,000 had been reduced to \$399,000,000, the circulation withdrawn, the banking credit swelling as I have shown you.

They who demand that the Government, while maintaining an inconvertible currency, shall furnish as much as is needed by the current business of the day, are the real contractionists. They who find their profit in dealing in credit, your men of realized wealth, your men who own stock in a dozen national banks, those who are themselves bankers, want the currency contracted; for then the poor fly must come into their net and yield its blood to them.

The Finance Report for 1872 supplies ample proof of this allegation. At page 290, under the head of "currency outstanding at the close of each fiscal year for the last eleven years," we find the exhibits following:

| | |
|--|----------------|
| June 30, 1865: | |
| Old demand notes..... | \$472,603 50 |
| Legal-tender notes, new issue..... | 431,066,427 00 |
| Compound-interest notes..... | 191,721,470 00 |
| One-year notes of 1863..... | 8,467,570 00 |
| Two-year notes of 1863..... | 7,715,350 00 |
| Two-year coupon notes of 1863..... | 34,441,650 00 |
| Practical currency, first issue..... | 9,915,408 66 |
| Practical currency, second issue..... | 12,798,130 00 |
| Practical currency, third issue..... | 2,319,589 50 |
| | 698,918,800 25 |
| June 30, 1872: | |
| Old demand notes..... | \$88,296 25 |
| Legal-tender notes, new issue..... | 123,271,568 00 |
| United States notes, series of 1869..... | 234,228,432 00 |
| Compound-interest notes..... | 625,010 00 |
| One-year notes of 1863..... | 109,967 00 |
| Two-year notes of 1863..... | 36,402 50 |
| Two-year coupon notes of 1863..... | 31,852 50 |
| Practical currency, first issue..... | 4,291,299 00 |
| Practical currency, second issue..... | 3,190,283 51 |
| Practical currency, third issue..... | 4,039,955 20 |
| Practical currency, fourth issue..... | 29,234,297 41 |
| | 399,215,363 52 |

Mr. Speaker, my strength will not permit me to go on and offer other suggestions that I would like to present. I have given you one historic parallel; and I propose to close by giving you what may be another. I turn to a book with which most of you are, I trust, somewhat acquainted. I propose to deduce a little historical instruction from the twelfth chapter of the First Book of Kings:

3. And Jeroboam and all the congregation of Israel came, and spake unto Rehoboam, saying,

4. Thy father made our yoke grievous: now therefore make thou the grievous service of thy father, and his heavy yoke which he put upon us, lighter, and we will serve thee.

5. And he said unto them, Depart yet for three days, then come again to me. And the people departed.

6. And King Rehoboam consulted with the old men that stood before Solomon his father while he yet lived, and said, How do ye advise that I may answer this people?

7. And they spake unto him, saying, If thou wilt be a servant unto this people this day, and wilt serve them, and answer them, and speak good words to them, then they will be thy servants forever.

8. But he forsook the counsel of the old men, which they had given him, and consulted with the young men that were grown up with him, and which stood before him:

9. And he said unto them, What counsel give ye that we may answer this people, who have spoken to me, saying, Make the yoke which thy father did put upon us lighter?

10. And the young men that were grown up with him spake unto him, saying, Thus shalt thou speak unto this people that spake unto thee, saying, Thy father made our yoke heavy, but make thou it lighter unto us: thus shalt thou say unto them, My little finger shall be thicker than my father's loins.

11. And now whereas my father did lade you with a heavy yoke, I will add to your yoke: my father hath chastised you with whips, but I will chastise you with scorpions.

The king took the counsel of the young men, who were probably fair representatives of the creditor class and bullion and credit mongers of to-day; and in doing so he sealed the fate of his Secretary of the Treasury; for when Adoram, "who was over the tribute," appeared among the people, we are told that "all Israel stoned him with stones, that he died."

Mr. Speaker, the crisis was evidently a financial one, for they took the officer who had power over the tribute and stoned him until he died. We live in more humane days. I have no apprehension if now, in the season of our people's calamity, we restore war taxes and proceed to further contract their currency and reduce their wages, they will stone with stones until he shall die our present amiable Secretary of the Treasury. Sir, they know the power there is in the ballot, and what they will probably do will be to cast ballots and not stones; so that if we go on, as we have been going for the last six years, scourging them first with whips and then with scorpions, the places that now know us politically will soon know us no more forever.

During the remarks of Mr. BURCHARD, of Illinois, who followed Mr. KELLEY in reply, the following colloquy occurred:

Mr. KELLEY. Will the gentleman yield to me for just a moment?

Mr. BURCHARD. Yes, sir.

Mr. KELLEY. I want to suggest to the gentleman, (and I do it with deference to his judgment,) that it would be a very difficult thing to buy a pair of chickens in the market with a fifty-dollar convertible bond, or to pay your passage upon a railroad, or buy a pair of gloves with a fifty-dollar or a hundred-dollar or a thousand-dollar convertible bond; and that as these bonds would not be legal tender, shop-keepers, conductors, persons in the market, and laboring people might refuse to receive them. It is impossible that they should go into the currency. That they would furnish exchange which is now the privilege of the credit mongers, personal or corporate, of the country, is true; and that they would relieve the business community of the dull razors with which they are now shaved, by which the blood is drawn when it is only proposed to take off the beard is also true.

I wish to correct the gentleman as to a misapprehension he has fallen into when he supposes I limit the amount of bonds to \$400,000,000. I am nearly sixty years of age, and somewhat broken in health, but I hope to live to see the day when no foreigner will hold a bond of the United States, and when our whole debt will be floated at 3.65 and be in the hands of the American people.

The statement for 1873 is that of September 12. The effect of the panic was to diminish in one month the loans by \$62,000,000, the deposits by \$83,000,000, and the legal-tender reserve by \$2,000,000.

Again, I have another equally striking illustration from another source. According to the Financial Report of 1872, page 200, the Government on the 30th of June, 1865, had outstanding in currency \$68,918,800; while on the 30th of June, 1872, the \$698,000,000 had been reduced to \$399,000,000; the circulation withdrawn, the banking credit swelling as I have shown you.

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10. And the young men that were grown up with him spake unto him, saying, Thus shalt thou speak unto this people that spake unto thee, saying, Thy father made our yoke heavy, but make thou it lighter unto us; thus shalt thou say unto them, My little finger shall be thicker than my father's loins.

11. And now whereas my father did laide you with a heavy yoke, I will add to your yoke: my father hath chastised you with whips, but I will chastise you with scorpions.

The king took the counsel of the young men, who were probably fair representatives of the creditor class and bullion and credit mongers of to-day; and in doing so he sealed the fate of his Secretary of the Treasury; for when Adoram, "who was over the tribute," appeared among the people, we are told that "all Israel stoned him with stones, that he died."

Mr. Speaker, the crisis was evidently a financial one, for they took the officer who had power over the tribute and stoned him until he died. We live in more humane days. I have no apprehension if now, in the season of our people's calamity, we restore war taxes and proceed to further contract their currency and reduce their wages, they will stone with stones until he shall die our present amiable Secretary of the Treasury. Sir, they know the power there is in the ballot, and what they will probably do will be to cast ballots and not stones; so that if we go on, as we have been going for the last six years, scourging them first with whips and then with scorpions, the places that now know us politically will soon know us no more forever.

During the remarks of Mr. BURCHARD, of Illinois, who followed Mr. KELLEY in reply, the following colloquy occurred:

Mr. KELLEY. Will the gentleman yield to me for just a moment? Mr. BURCHARD. Yes, sir.

Mr. KELLEY. I want to suggest to the gentleman, (and I do it with deference to his judgment,) that it would be a very difficult thing to buy a pair of chickens in the market with a fifty-dollar convertible bond, or to pay your passage upon a railroad, or buy a pair of gloves with a fifty-dollar or a hundred-dollar or a thousand-dollar convertible bond; and that as these bonds would not be legal tender, shop-keepers, conductors, persons in the market, and laboring people might refuse to receive them. It is impossible that they should go into the currency. That they would furnish exchange which is now the privilege of the credit mongers, personal or corporate, of the country, is true; and that they would relieve the business community of the dull razors with which they are now shaved, by which the blood is drawn when it is only proposed to take off the beard is also true.

I wish to correct the gentleman as to a misapprehension he has fallen into when he supposes I limit the amount of bonds to \$400,000,000. I am nearly sixty years of age, and somewhat broken in health, but I hope to live to see the day when no foreigner will hold a bond of the United States, and when our whole debt will be floated at 3.65 and be in the hands of the American people.

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